

MidAmerican to acquire PacifiCorp from ScottishPower

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Warren Buffett's MidAmerican Energy Holdings Co., which provides power for 5 million customers worldwide and is the largest utility in Iowa, is acquiring PacifiCorp, an electric utility with customers in six Western states, for \$5.1 billion in cash.

Under the deal announced early Tuesday, MidAmerican would also assume about \$4.3 billion in debt and preferred shares as part of the deal for PacifiCorp, a unit of Glasgow-based Scottish Power PLC. PacifiCorp, based in Portland, Ore., serves 1.6 million customers.

MidAmerican, based in Des Moines, Iowa, and controlled by Buffett's Berkshire Hathaway Inc., said the deal will create an energy holding company serving approximately 3 million electric and natural gas customers in 10 states and would have 6.6 million customers worldwide.

PacifiCorp will continue to be based in Portland and will retain its name. It also will continue operating as Pacific Power in Oregon, Wyoming, Washington state and northern California, and as Utah Power in Utah and Idaho.

Scottish Power shares rose 6.3 percent to close at 469.75 pence (\$8.59) on the London Stock Exchange. Berkshire Hathaway's Class A shares rose \$1,800, or 2 percent, to \$85,290.10 in afternoon trading on the New York Stock Exchange.

"The energy sector has long interested us, and this is the right fit," said Buffett. "We are excited to be making this long-term investment, through MidAmerican, in the premiere energy company in the West. PacifiCorp is a great company with outstanding assets."

PacifiCorp is a major acquisition for Berkshire, which paid about \$16 billion in stock for reinsurance giant General Re in December 1998.

It's also the kind of deal Buffett said he was waiting for.

At Berkshire's annual meeting in April, Buffett said he was holding about \$45 billion in cash with no major acquisitions in sight, with the exception of one deal in the insurance field worth nearly \$1 billion.

"We'd love to have one in the \$5 billion to \$10 billion range," Buffett said at the meeting. "At the moment we've got more money than brains, and we hope to do something about that."

The insurance deal was announced May 6, with Berkshire's National Indemnity agreeing to pay \$825 million for General Electric Co.'s Medical Protective Corp., which provides liability insurance for doctors and dentists.

The acquisition of PacifiCorp has been approved by the boards of both companies, but is subject to approval of ScottishPower shareholders and state and federal regulatory agencies. The transaction is expected to be completed in 2006.

ScottishPower Chief Executive Ian Russell said that the company would

return \$4.5 billion to shareholders.

Selling the business will allow Scottish Power to concentrate on the UK where it has 5.1 million energy customers and a string of power plants, along with its PPM Energy business in the US which focuses on clean power sources.

The MidAmerican-PacifiCorp deal will result in a company with assets of more than \$32 billion, including \$25.3 billion are in the United States. MidAmerican will have approximately \$10 billion in annual revenues internationally, including \$8.5 billion from the United States, the company said.

MidAmerican Energy Holdings provides electric and natural gas service through its CalEnergy, CE Electric UK, Kern River Gas Transmission, Northern Natural Gas and MidAmerican Energy Company units.
